EMIS Group plc

Half year results for the six months
ended 30 June 2014

EMIS Group is the UK leader in connected healthcare software and services. Its solutions are widely used across every major UK healthcare setting from primary and community care, to high street pharmacies, secondary care and specialist services.

Through integration and interoperability, EMIS Group helps clinicians share vital information, facilitating better, more efficient healthcare and supporting longer and healthier lives.

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Financial highlights

	2014 H1	2013 H1	Change
Total revenue	**£66.4m**	£47.1m	**41%**
Recurring revenue	**£49.9m**	£36.0m	**39%**
Operating profit			
• reported	**£12.9m**	£12.1m	**7%**
• adjusted[1]	**£14.6m**	£11.6m	**27%**
Cash generated from operations[2]	**£27.0m**	£19.0m	**42%**
Net (debt)/cash	**£(0.1m)**	£14.8m	
Earnings per share			
• reported	**15.2p**	15.6p	**-3%**
• adjusted[1]	**17.3p**	14.9p	**16%**
Interim dividend	**9.2p**	8.0p	**15%**

[1] Excludes capitalisation and amortisation of development costs and amortisation of acquired intangibles. Earnings per share calculations also adjust for the related tax and non-controlling interest impact.

[2] Stated after deduction of capitalised development costs of £3.5m (2013 H1: £2.7m).

Operational highlights

Strong start to year

Delivered financial performance in line with management expectations

- Moving towards completion of the roll-out of EMIS Web for GPs in England
- Demonstrating the closer integration of the Group's cross-healthcare products and services

Primary & Community Care

- UK primary care market share broadly unchanged
- Expanded GPSoC Framework agreement (Lot 1)
- 3,751 live EMIS Web GP practices in England and Wales (31 December 2013: 3,327)
- Building momentum in CCMH: further contract wins in excess of £6m and full pipeline

Community Pharmacy

- Grew its significant user base and market share
- Started development of next generation community pharmacy software
- Launched suite of innovative products and services connecting GPs, pharmacists and patients

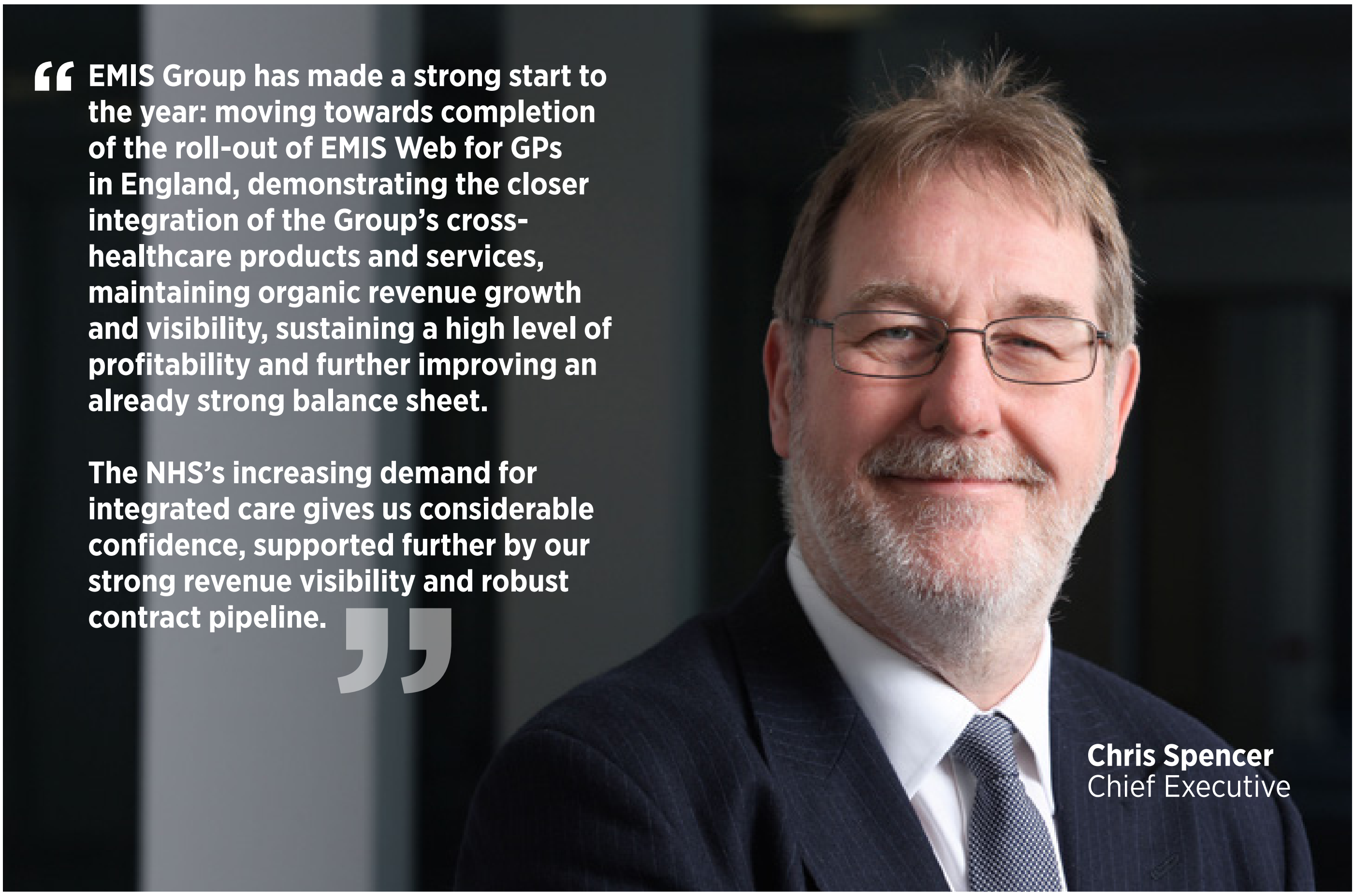
Secondary & Specialist Care

- Integrations of Digital Healthcare and Ascribe continue to progress as expected with solid results for the first full six month period since acquisition
- Further contract wins secured in hospitals, strong pipeline of further opportunities
- Roll-out of upgraded diabetic retinopathy software in England almost complete
- Acquired Indigo 4 on 17 July 2014, a leading supplier of clinical and administrative messaging and order communications solutions

Current Trading & Outlook

- Group continues to trade well and in line with management's expectations
- Improved profit performance expected to continue into the second half
- Ongoing growth in EMIS Web GP estate and contributions from CCMH, Community Pharmacy, Secondary and Specialist Care
- Strong revenue visibility, cross-group pipelines and earnings enhancement from 2013 and 2014 acquisitions
- Growth opportunities in primary, CCMH and secondary markets
- Preparing for post National Programme re-letting opportunity in primary care in 2015

Chief Executive's overview



EMIS Group has made a strong start to the year: moving towards completion of the roll-out of EMIS Web for GPs in England, demonstrating the closer integration of the Group's cross-healthcare products and services, maintaining organic revenue growth and visibility, sustaining a high level of profitability in line with our expectations and further improving an already strong balance sheet.

After a positive GP Systems of Choice (GPSoC) Lot 1 negotiation, contract wins in Community Child and Mental Health ("CCMH") and a successful investor day demonstrating, in real-time, the Group's first phase product integration, the Group continues to consider itself uniquely placed to help deliver the financial and clinical benefits of integrated care.

The two acquisitions (Ascribe and Digital Healthcare) completed during the second half of 2013 also made positive contributions with further contract wins expected to boost performance in the remainder of the year.

The Group's primary care market share was broadly unchanged and there was market share growth in CCMH, Community Pharmacy and Secondary & Specialist Care.

"**uniquely placed** to help deliver the financial and clinical benefits of integrated care"

Group strategy

The Group, through divisions in Primary & Community Care, Community Pharmacy and Secondary & Specialist Care, is a major provider of healthcare software, information technology and related services in the UK. The Group is unique in holding a strong market position in every major area of UK healthcare IT.

The management team has had a strong focus in 2014 on strategic matters especially relating to delivery of integration of care. A number of group strategic priorities were agreed for the year. These include:

- **Strategic customer engagement.** As well as ongoing relationships at a national level, by the end of the period the Group had engaged with ten large UK NHS healthcare economies on integrated care projects, working on both tactical and deeper integration over a minimum three year period;
- **Divisional restructuring/ integration and group product integration.** The initial results of this work stream were demonstrated at the investor day on 3 June 2014 in terms of both product and brand, when a fully integrated suite of cross-Group products was launched and demonstrated. In addition, an integrated product roadmap has been developed and agreed. A Group Director of Marketing was appointed on 1 March 2014;
- **Optimisation of software specification and development.** Starting in Primary & Community Care, we have created a product portfolio board, innovation and architecture team, together with a comprehensive training programme in agile methodologies. This is enabling even more efficient prioritisation and design across primary care, CCMH, support development, legacy, international and patient facing services development. We are currently planning the extension of this to include Community Pharmacy and Secondary & Specialist Care. We have refurbished one of our premises in North Leeds for specific use as a development delivery hub and grown our development teams in Bolton, Scotland and Chennai;
- **Enterprise and commissioning products.** These are beneficial for the growing groups of GP practices and other organisations engaged in the provision of federated or enterprise primary care. As well as engaging commercially with a number of such groups and creating a sales pipeline, we have also delivered relevant functionality including enhanced cross-organisational tasks, appointments and alerts.

Operational review

Primary & Community Care

Primary Care

The Group's primary care market share was broadly unchanged at 52.7% (5,179 GP practices) (31 December 2013: 53.0% (5,232 GP practices)). The primary care user base remains loyal and 78% of EMIS's English GP practices have used an EMIS system for over 10 years.

As previously announced, agreement was successfully reached on 28 March 2014 regarding the commercial terms of Lot 1 of the expanded English GPSoC Framework covering all the centrally funded GP Clinical IT system functionality, support and hosting. Discussions are continuing regarding the less material and locally funded GPSoC Lots 2 and 3 and the re-procurement of primary care systems in Northern Ireland. All these discussions are expected to conclude later this year.

EMIS Web GP

The roll-out of EMIS Web for GPs in England continued to progress in accordance with the agreed GP Systems of Choice (GPSoC) timetable. At the period end, there were 3,751 live EMIS Web GP practices in England and Wales (representing 84% of EMIS's total GP estate in those countries), an increase of 424 compared with 3,327 at 31 December 2013. All the remaining practices had either ordered EMIS Web or were in the familiarisation service.

EMIS Web CCMH

EMIS has an expanding presence in CCMH. The CCMH team has been further strengthened and focussed, especially in relation to sales specialists and planning for an extended team to implement the new contract wins. CCMH and integrated care functionality relating to cross-organisational tasks was released in May 2014 and cross-organisational appointments were released in July of this year. We also implemented a new data migration tool for transfers from Servelec RiO to EMIS Web for CCMH, which was very well received when first used in Bromley.

The Group continued to build momentum in CCMH with a full pipeline for its integrated offering in both the South and, increasingly, the North, and further contract wins amounting to over £6.0m in value:

- Blackpool;
- Southport and Ormskirk;
- North Somerset;
- Sirona (South Gloucestershire); and
- Leeds.

This ongoing growth in CCMH, coupled with the Group's strong presence in other care settings, further encourages connected care. In Camden, for example, the Group's products have facilitated the development and implementation of integrated multidisciplinary teams across primary & community care, secondary care and social care to coordinate and plan care for the

Operational review continued

borough's most vulnerable elderly patients. The positive outcomes of this have been reported as follows:

- a 52% reduction in emergency bed days;
- a 48% reduction in accident and emergency attendances; and
- a 33% reduction in first and follow up outpatients' appointments.

This clearly demonstrates the significant positive impact which the Group's integrated products can have on healthcare delivery.

Patient.co.uk

Patient.co.uk, the Group's online environment that helps patients play a key part in their own care through access to clinically reviewed health and well-being information and the gateway for transactional healthcare services, continued to grow its patient and clinical user base. At the period end the site was attracting each month 14m unique visitors and 28m page views, a further significant increase on the previously reported 2013 figures of 11m unique visitors and 21m page views.

The business also continued to develop and release patient-focussed Apps. As well as mobile versions of the patient.co.uk medical content and the Patient Access gateway, these now include tools relating to Irritable Bowel Syndrome, sleep, weight, depression and migraine. In January 2014, as part of the Group integration activity, patient.co.uk worked with the team in Digital Healthcare (acquired in August 2013) to create a new diabetes microsite for Digital Healthcare, which enables users to be signposted to a bespoke trusted resource with a related App.

The process has now commenced for selecting providers to deliver paid-for patient-facing services as envisaged under GPSoC. The business is fully engaged with this process and expects further progress later in the year.

Hardware & Engineering

The Group's engineers have spent a considerable time upgrading NHS operating systems to Windows 7. At the end of the period the Group completed the £1.2m purchase of the intellectual property rights in the former PAERS Ltd primary care automated arrivals business. This secures full control of the existing primary care estate of circa 1,800 systems and facilitates entry into the markets in secondary and community care.

Community Pharmacy

The Group provides healthcare IT, software, and services to 35.7% (31 December 2013: 35.3%) of UK high street pharmacies. ProScript, the Group's community pharmacy software, remains the single most widely used dispensary management system in the UK. The division also had another successful period organically: growing its significant user base and market share and starting development of its next generation integrated community pharmacy software.

The business also continues to work towards the Group mission of joining up products and organisations and delivering even greater efficiencies. The division's implementation engineers were fully integrated with the Group's Egton division.

Health Minister, Jeremy Hunt, speaking at the Health + Care conference in London on 26 June 2014 said that to decrease pressures on A&E services and GPs; "[Pharmacists] need to be part of the electronic health record revolution. If pharmacists could see, with people's permission, prescription history and their medication record, then a lot of people would simply go to their local pharmacy and they would get a much better service."

EMIS's Community Pharmacy offering is very much aligned with these ambitions. In May 2014 the Group launched a suite of innovative products and services connecting GPs, pharmacists and patients including direct electronic transmission of prescriptions along with an electronic patient record and an App for patients to order repeat prescriptions. Numark and Rowlands Pharmacy acted as the launch partners but the response from other clients of Rx Systems has been equally as positive. Rowlands intend to deploy the App to all their 500 English Pharmacies by the end of 2014.

Secondary and Specialist Care

The organisational and product integrations of both Digital Healthcare and Ascribe continue to progress as expected. Further contract wins were secured in hospitals and the roll-out of upgraded diabetic retinopathy software to comply with the requirements of Public Health England is almost complete.

Ascribe, the Group's secondary care business, is principally focused on Hospital Pharmacy, A&E, and Patient Administration Systems (PAS)/ Electronic Patient Records (EPR).

As well as implementing recently secured significant contracts to supply clinical IT solutions to major NHS hospital trusts, including Doncaster & Bassetlaw and South Devon, the secondary care business has a strong pipeline. Digital Healthcare has continued its roll-out of upgraded diabetic eye screening software to deliver the Common Pathway required by Public Health England. As anticipated, both businesses have performed satisfactorily and enhanced earnings in the period.

Since the period end, on 17 July 2014, the Group announced the acquisition of Indigo 4, a leading supplier of clinical and administrative messaging and order communications solutions to healthcare organisations. The transaction furthers the Group's strategy of providing comprehensively connected healthcare systems. The acquisition, from the founders, brings EMIS Group an extensive customer base in the secondary care sector. In addition it delivers a complete set of

Operational and financial review

platform-neutral communication and data translation tools. These extend EMIS Group’s existing proprietary capabilities in the requesting, messaging, translation and delivery of electronic clinical and administrative data across primary and secondary care.

The initial purchase consideration, net of cash acquired, was £3.2m, payable in cash from the Group’s existing resources. A further £0.5m is payable in cash on the attainment of certain future milestones. The business will be immediately integrated into the Secondary & Specialist Care division and is expected to be immediately earnings enhancing.

Digital Healthcare, the Group’s leading provider of diabetic eye screening and other ophthalmology-related solutions, grew its already considerable market share to 83% (2013 H2: 80%) and continues to provide opportunities for hosting and delivering fully managed ophthalmology-related services.

Board appointment

As announced on 9 May 2014, Kevin Boyd was appointed to the Board as an independent Non-Executive Director. Kevin brings extensive board level financial experience in a public company environment with his background in the technology sector complementing the current expertise on the Board.

Financial review

The Group has delivered financial performance for the half year to 30 June 2014 in line with management expectations. Along with double digit organic revenue and profit growth it is pleasing to report solid results in the Secondary & Specialist Care business for the first full six month period since acquisition.

Adjusted operating profit for the period was £14.6m (2013 H1: £11.6m), an increase of 27% including 10% organic growth.

Group revenue increased by 41% to £66.4m (2013 H1: £47.1m), with organic growth of 10%. Recurring revenue of £49.9m (2013 H1: £36.0m) represented 75% of total revenues.

Key drivers of revenue growth included the following:

- licences, which increased to £20.4m (2013 H1: £18.8m), due principally to growth in the Primary & Community Care and Community Pharmacy estates;
- maintenance & software support, which grew to £15.5m (2013 H1: £6.6m), driven by revenues from the 2013 acquisitions and the inclusion under the new GPSoC-R framework agreement (from April 2014) of some revenues previously

Financial review continued

categorised within hosting;

- other support services, where new revenues from the acquisitions and a significant increase in project engineering activity resulted in total revenues of £10.3m (2013 H1: £7.2m);
- training, consultancy and implementation, which increased to £9.3m (2013 H1: £4.9m) with new revenues in Secondary & Specialist Care outweighing a small reduction in EMIS Web roll-out related revenue in Primary Care;
- hosting, which increased to £7.3m (2013 H1: £6.3m), as a result of further market penetration of the EMIS Web product, partly offset by a reallocation of some revenues to maintenance and software support under the new GPSoC-R framework; and
- an increase in hardware revenues to £3.6m (2013 H1: £3.3m) with growth in the provision of hardware by Egton to the Group's customers.

The organic operating margin was unchanged at 24.5% with the overall group operating margin (including the lower margin acquired businesses) at 22.1%. The Group employed 1,577 staff at 30 June 2014, broadly unchanged over the period, despite significant investment in software development, with additional resources secured in Community Pharmacy of particular note.

The Primary & Community Care business again delivered strong growth with the continued roll-out of EMIS Web for GPs and increasingly for CCMH, while profit in Community Pharmacy was higher in spite of the product investment noted above. The Secondary & Specialist Care division continued to build momentum over the period and remains on track to deliver results for the first full year in line with expectations.

Adjusted operating profit for the period was £14.6m (2013 H1: £11.6m) with £1.9m of the increase attributable to the acquired Secondary & Specialist Care business. After accounting for the capitalisation and amortisation of development costs and the amortisation of acquired intangibles, operating profit was £12.9m (2013 H1: £12.1m).

The tax charge for the period was unchanged at £2.7m, representing an effective rate of tax of 21.6% (2013 H1: 22.4%).

Adjusted basic and diluted EPS increased by 16% to 17.3p (2013 H1: 14.9p). As a result of higher amortisation charges, the reported basic and diluted EPS were lower at 15.2p (2013 H1: 15.6p).

The Board has resolved to increase the interim dividend by 15% to 9.2p (2013 H1: 8.0p) per share, payable on 31 October 2014 to shareholders on the register at the close of business on 26 September 2014.

Net cash generated from operations after capitalisation of development costs increased by 42% to £27.0m (2013 H1: £19.0m). The seasonal first half-weighted cash flows were stronger than the comparative period, which included a temporary working capital increase after the April 2013 NHS restructuring in England, and drove the increase in deferred income to £37.9m (2013 H1: £24.6m). Net capital expenditure excluding capitalised development costs reduced to £3.8m (2013 H1: £5.2m), including the £1.2m purchase of the software used in the Group's GP arrivals screens. After finance costs, tax, dividends and Employee Benefit Trust transactions (which included a £2.0m share purchase completed in June 2014), the Group's net debt reduced by £13.4m from the last year end to £0.1m (31 December 2013: £13.5m; 2013 H1: net cash of £14.8m).

Summary and outlook

EMIS Group continues to trade well and in line with management's expectations. The Board expects the improved profit performance of the first half of 2014 to continue into the second half. The NHS's increasing demand for integrated care gives considerable confidence, supported further by strong revenue visibility and a robust contract pipeline.

The Group's improved performance is derived from ongoing growth in the EMIS Web GP estate and contributions from CCMH, Community Pharmacy, Secondary & Specialist Care. Revenue visibility, cross-group pipelines and the earnings enhancement of our 2013 and 2014 acquisitions give the Board continuing confidence of further progress in the second half.

The Group continues increasingly to engage in the re-tendering of former National Programme contracts in CCMH and secondary care. In addition, the Group is also preparing for new growth opportunities in primary care. These will be opening up to EMIS in 2016 as the protection formerly provided by the National Programme falls away. Seizing these multiple opportunities will provide continuing solid and sustainable growth during the second half and beyond.

In conclusion, the NHS's ever increasing need for affordably better care remains matched by EMIS Group's strategic vision of connected healthcare systems.

Chris Spencer
Chief Executive
5 September 2014

Peter Southby
Chief Financial Officer
5 September 2014

Financial statements

Group statement of comprehensive income

for the six months ended 30 June 2014

	Six months to 30 June 2014 Unaudited £'000	Six months to 30 June 2013 Unaudited £'000	Year ended 31 December 2013 Audited £'000
Revenue	**66,377**	47,124	105,542
Costs:			
Changes in inventories	**398**	(128)	174
Cost of goods and services	**(6,815)**	(5,481)	(11,954)
Staff costs	**(29,265)**	(19,123)	(42,522)
Other operating expenses[1]	**(10,464)**	(6,545)	(16,773)
Depreciation of property, plant and equipment	**(1,903)**	(1,534)	(3,286)
Amortisation of intangible assets	**(5,412)**	(2,211)	(6,236)
Adjusted operating profit	**14,644**	11,559	26,065
Development costs capitalised	**3,546**	2,698	6,098
Exceptional transaction costs	**–**	–	(1,144)
Amortisation of intangible assets[2]	**(5,274)**	(2,155)	(6,074)
Operating profit	**12,916**	12,102	24,945
Finance income	**6**	19	20
Finance costs	**(278)**	(39)	(262)
Share of result of associate	**(17)**	5	20
Share of result of joint venture	**–**	(50)	(88)
Profit before taxation	**12,627**	12,037	24,635
Income tax expense	**(2,722)**	(2,698)	(4,706)
Profit for the period	**9,905**	9,339	19,929
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences	**14**	–	(22)
Other comprehensive income	**14**	–	(22)
Total comprehensive income for the period	**9,919**	9,339	19,907
Attributable to:			
– equity holders of the parent	**9,563**	9,064	19,369
– non-controlling interest in subsidiary company	**356**	275	538
Total comprehensive income for the period	**9,919**	9,339	19,907

Earnings per share attributable to equity holders of the parent

	Pence	Pence	Pence
Basic	**15.2**	15.6	32.6
Diluted	**15.2**	15.6	32.6

[1] Including contract asset depreciation of £1,912,000 (2013 H1: £1,398,000, 2013 FY: £3,241,000) and exceptional transaction costs of £nil (2013 H1: £nil, 2013 FY: £1,144,000).

[2] Excluding amortisation of computer software purchased externally of £138,000 (2013 H1: £56,000, 2013 FY: £162,000).

Financial statements continued

Group balance sheet

as at 30 June 2014

	30 June 2014 Unaudited £'000	30 June 2013 Unaudited £'000	31 December 2013 Audited £'000
ASSETS			
Non-current assets			
Goodwill	**60,135**	22,609	60,135
Other intangible assets	**66,685**	31,559	67,204
Property, plant and equipment	**23,292**	24,151	24,610
Investment in joint venture and associates	**2,743**	2,745	2,760
	152,855	81,064	154,709
Current assets			
Inventories	**1,829**	1,123	1,431
Trade and other receivables	**25,531**	19,963	21,448
Cash and cash equivalents	**11,629**	17,796	4,167
	38,989	38,882	27,046
Total assets	**191,844**	119,946	181,755
LIABILITIES			
Current liabilities			
Trade and other payables	**(17,522)**	(12,752)	(16,705)
Current tax liabilities	**(1,944)**	(2,391)	(2,341)
Bank loans	**(3,902)**	(3,000)	(7,902)
Contingent acquisition consideration	**(3,000)**	–	(3,000)
Deferred income	**(37,871)**	(24,615)	(25,453)
	(64,239)	(42,758)	(55,401)
Non-current liabilities			
Bank loans	**(7,805)**	–	(9,756)
Deferred tax liability	**(11,501)**	(7,582)	(11,481)
Contingent acquisition consideration	**(994)**	–	(994)
	(20,300)	(7,582)	(22,231)
Total liabilities	**(84,539)**	(50,340)	(77,632)
NET ASSETS	**107,305**	69,606	104,123
EQUITY			
Ordinary share capital	**633**	586	633
Share premium	**51,045**	24,767	51,045
Own shares held in trust	**(4,153)**	(2,685)	(2,325)
Retained earnings	**53,162**	43,150	48,522
Other reserve	**2,211**	–	2,197
Equity attributable to owners of the parent	**102,898**	65,818	100,072
Non-controlling interests	**4,407**	3,788	4,051
TOTAL EQUITY	**107,305**	69,606	104,123

Financial statements continued

Group statement of cash flows

for the six months ended 30 June 2014

	Six months to 30 June 2014 Unaudited £'000	Six months to 30 June 2013 Unaudited £'000	Year ended 31 December 2013 Audited £'000
Cash generated from operations	**30,500**	21,710	38,725
Finance costs	**(230)**	(35)	(600)
Finance income	**6**	19	20
Tax paid	**(2,658)**	(2,146)	(5,073)
Net cash generated from operating activities	**27,618**	19,548	33,072
Cash flows from investing activities			
Purchase of property, plant and equipment	**(2,602)**	(5,076)	(8,403)
Proceeds from sale of property, plant and equipment	**197**	141	219
Development costs capitalised	**(3,546)**	(2,698)	(6,098)
Purchase of software	**(1,347)**	(234)	(524)
Business combinations	**—**	(664)	(57,534)
Net cash used in investing activities	**(7,298)**	(8,531)	(72,340)
Cash flows from financing activities			
Share placing	**—**	—	26,322
Transactions in own shares held in trust	**(1,828)**	192	552
Bank loan repayments	**(6,000)**	(400)	(2,400)
Bank loans drawn down	**—**	—	17,000
Dividends paid	**(5,030)**	(4,120)	(9,146)
Net cash (used in)/generated from financing activities	**(12,858)**	(4,328)	32,328
Net increase/(decrease) in cash and cash equivalents	**7,462**	6,689	(6,940)
Cash and cash equivalents at beginning of period	**4,167**	11,107	11,107
Cash and cash equivalents at end of period	**11,629**	17,796	4,167

Cash generated from operations			
Operating profit	**12,916**	12,102	24,945
Adjustment for non-cash items:			
Amortisation of intangible assets	**5,412**	2,211	6,236
Depreciation of property, plant and equipment	**3,815**	2,932	6,527
Profit on disposal of property, plant and equipment	**(92)**	—	—
Share-based payments	**114**	84	195
Operating cash flow before changes in working capital	**22,165**	17,329	37,903
Changes in working capital:			
(Increase)/decrease in inventory	**(398)**	128	(174)
(Increase)/decrease in trade and other receivables	**(4,518)**	(4,764)	1,132
Increase/(decrease) in trade and other payables	**833**	259	(177)
Increase in deferred income	**12,418**	8,758	41
Cash generated from operations	**30,500**	21,710	38,725

Financial statements continued

Group statement of changes in equity

for the six months ended 30 June 2014

	Share capital £'000	Share premium £'000	Own shares held in trust £'000	Retained earnings £'000	Other reserve £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2013	586	24,767	(2,877)	38,076	—	3,513	64,065
Profit for the period	—	—	—	9,064	—	275	9,339
Transactions with owners							
Share acquisitions less sales	—	—	192	—	—	—	192
Share-based payments	—	—	—	84	—	—	84
Deferred tax in relation to share-based payments	—	—	—	46	—	—	46
Dividends paid	—	—	—	(4,120)	—	—	(4,120)
Balance at 30 June 2013	586	24,767	(2,685)	43,150	—	3,788	69,606
Profit for the period	—	—	—	10,327	—	263	10,590
Transactions with owners							
Share placing	44	26,278	—	—	—	—	26,322
Shares issued	3	—	—	—	2,219	—	2,222
Share acquisitions less sales	—	—	360	—	—	—	360
Share-based payments	—	—	—	111	—	—	111
Deferred tax in relation to share-based payments	—	—	—	(40)	—	—	(40)
Dividends paid	—	—	—	(5,026)	—	—	(5,026)
Other comprehensive income							
Currency translation differences	—	—	—	—	(22)	—	(22)
Balance at 31 December 2013	633	51,045	(2,325)	48,522	2,197	4,051	104,123
Profit for the period	—	—	—	9,549	—	356	9,905
Transactions with owners							
Share acquisitions less sales	—	—	(1,828)	—	—	—	(1,828)
Share-based payments	—	—	—	114	—	—	114
Deferred tax in relation to share-based payments	—	—	—	7	—	—	7
Dividends paid	—	—	—	(5,030)	—	—	(5,030)
Other comprehensive income							
Currency translation differences	—	—	—	—	14	—	14
Balance at 30 June 2014	**633**	**51,045**	**(4,153)**	**53,162**	**2,211**	**4,407**	**107,305**

Notes to the half year financial statements

1. General information

The financial statements for the six months ended 30 June 2014 and the six months ended 30 June 2013 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2013 were approved by the Board of Directors on 19 March 2014 and delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed half year financial statements were approved for issue by the Board of Directors on 4 September 2014.

2. Basis of preparation

These condensed financial statements for the half year ended 30 June 2014 have been prepared in accordance with the AIM Rules for Companies, comply with IAS 34 Interim Financial Reporting as adopted by the European Union and should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRS as adopted by the European Union.

The Group is profitable and it is anticipated that this will continue. There is a high and continuing level of recurring revenue and high cash conversion is anticipated for the foreseeable future. The Group's existing significant cash resources provide additional comfort that it will continue to be able to meet its bank term loan repayment obligations of £1m per quarter.

Accordingly, after careful enquiry and review of available financial information, the Directors have formed the conclusion that the Group has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of these consolidated half year financial statements.

The financial statements are presented in sterling, which is the functional currency of EMIS Group. The financial statements are presented in round thousands.

3. Accounting policies

The accounting policies used in preparing these half year financial statements are those the Group expects to apply in its financial statements for the year ending 31 December 2014 and are consistent with those disclosed in the Group's annual report and accounts for the year ended 31 December 2013.

Current taxes on income in the half year period are accrued using the tax rates that would be applicable to expected total annual profits. Deferred taxes on income are calculated based on the standard rates that are enacted as at the balance sheet date.

4. Critical accounting estimates and judgements

Accounting estimates and judgements are based on past experience and expectations relating to, and evaluation of, future events and are believed to be reasonable at the time of making. Due to the inherent uncertainty involved in making these estimates and judgements, actual future outcomes can be different.

The 2013 Group annual report and accounts includes details of the critical estimates, assumptions and judgements made at that time in arriving at the amounts recognised in those financial statements, which have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the subsequent financial year.

The critical accounting estimates and judgements made in these condensed half year financial statements do not differ materially from those applied within the 2013 Group annual report and accounts.

5. Principal risks and uncertainties

The 2013 Group annual report and accounts describes the principal risks and uncertainties that could impact the Group's performance. These relate to healthcare structure and procurement changes, integration, software development and hosting, and recruitment and retention. These remain unchanged since the annual report was published and accordingly are valid for these half year financial statements. The Group operates a structured risk management process, which identifies and evaluates risks and uncertainties and reviews mitigation activity.

Notes to the half year financial statements continued

6. Financial risk management

The Group's activities expose it to financial risks including credit risk, liquidity risk, interest rate risk and price risk.

These condensed half year financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the 2013 Group annual report and accounts.

The Group does not engage in significant levels of hedging activity and holds no material derivative financial instruments. Carrying value approximates to fair value for all financial instruments. During 2014 there has been no significant change in business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities, nor have there been any reclassifications of financial assets or liabilities, nor have there been any changes in the risk management department or in any of the Group's risk management policies. Accordingly, the Directors, having reviewed IFRS 13 Fair Value Measurement and IAS 34 Interim Financial Reporting, are of the opinion that no additional disclosure is required.

7. Forward-looking statements

Certain statements in this half year report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

8. Operating segments

IFRS 8 Operating Segments provides for segmental information disclosure on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Group considers that this role is performed by the main Board of Directors.

Following the acquisitions made in 2013, the Group now has three operating segments, involved with the supply and support of software and related services, as set out below:

(a) Primary & Community Care (previously described as "EMIS");
(b) Community Pharmacy (previously described as "Rx" and including the acquired Multepos business); and
(c) Secondary & Specialist Care (including the acquired Ascribe and Digital Healthcare businesses).

Each operating segment is assessed by the Board based on a measure of adjusted operating profit. This measurement basis excludes exceptional costs, the effect of capitalisation and amortisation of development costs, and the amortisation of acquired intangible assets as the Board considers this to provide the best measure of underlying performance. Group operating expenses, finance income and costs, cash and cash equivalents and bank and other loans are not allocated to segments, as Group and financing activities are not segment-specific.

Notes to the half year financial statements continued

8. Operating segments continued

	Six months ended 30 June 2014				Six months ended 30 June 2013			
	Primary & Community Care £'000	Community Pharmacy £'000	Secondary & Specialist Care £'000	Total £'000	Primary & Community Care £'000	Community Pharmacy £'000	Secondary & Specialist Care £'000	Total £'000
Segmental result								
Revenue	**42,836**	**9,154**	**14,387**	**66,377**	38,668	8,456	–	47,124
Segmental operating profit as reported internally	**11,140**	**2,081**	**1,913**	**15,134**	9,917	2,029	–	11,946
Development costs capitalised	**1,836**	**401**	**1,309**	**3,546**	2,698	–	–	2,698
Amortisation of development costs	**(1,865)**	**–**	**(154)**	**(2,019)**	(692)	–	–	(692)
Amortisation of acquired intangible assets	**(714)**	**(425)**	**(2,116)**	**(3,255)**	(1,038)	(425)	–	(1,463)
Segmental operating profit	**10,397**	**2,057**	**952**	**13,406**	10,885	1,604	–	12,489
Group operating expenses				**(490)**				(387)
Operating profit				**12,916**				12,102
Net finance costs				**(272)**				(20)
Share of result of associate				**(17)**				5
Share of result of joint venture				**–**				(50)
Profit before taxation				**12,627**				12,037
Segmental assets and liabilities								
Segmental assets as reported internally	**37,095**	**3,495**	**9,972**	**50,562**	41,964	3,252	–	45,216
Goodwill and other intangible assets	**44,448**	**10,333**	**72,039**	**126,820**	43,010	11,158	–	54,168
	81,543	**13,828**	**82,011**	**177,382**	84,974	14,410	–	99,384
Group assets				**90**				21
Investment in joint venture and associates				**2,743**				2,745
Group cash and cash equivalents				**11,629**				17,796
Total assets				**191,844**				119,946
Segmental liabilities as reported internally	**(41,555)**	**(6,635)**	**(20,260)**	**(68,450)**	(40,629)	(6,650)	–	(47,279)
Group liabilities				**(4,382)**				(61)
Group bank loans				**(11,707)**				(3,000)
Total liabilities				**(84,539)**				(50,340)
Other segmental information								
Capital expenditure	**2,239**	**171**	**192**	**2,602**	5,027	49	–	5,076
Depreciation of property, plant and equipment	**3,571**	**80**	**164**	**3,815**	2,823	109	–	2,932

Revenue excludes intra-group transactions on normal commercial terms from the Primary & Community Care segment to the Community Pharmacy segment totalling £1,597,000 (2013 H1: £1,530,000).

Revenue of approximately £48,211,000 (2013 H1: £34,416,000) is derived from the NHS and related bodies.

Revenue of £2,361,000 (2013 H1: £623,000) is derived from customers outside the United Kingdom. Non-current assets held outside the United Kingdom total £25,000 (2013 H1: £nil, 2013 FY: £29,000).

Notes to the half year financial statements continued

9. Revenue

Revenue is analysed as follows:

	Six months to 30 June 2014 Unaudited £'000	Six months to 30 June 2013 Unaudited £'000	Year ended 31 December 2013 Audited £'000
Licences	**20,408**	18,821	40,000
Maintenance and software support	**15,498**	6,593	17,682
Hosting	**7,350**	6,302	14,281
Hardware	**3,565**	3,282	6,929
Training, consultancy and implementation	**9,288**	4,949	12,142
Other support services	**10,268**	7,177	14,508
	66,377	47,124	105,542

10. Income tax expense

The tax expense recognised is based on management estimates of the tax charge for the period and has been calculated using the estimated average annual tax rate of UK corporation tax of 21.5% (2013: 23.25%) and, in relation to deferred tax, at the rate of 20% (2013: 23%).

11. Earnings per share ("EPS")

The calculation of basic and diluted earnings per share is based on the following earnings and numbers of shares:

Earnings	Six months to 30 June 2014 Unaudited £'000	Six months to 30 June 2013 Unaudited £'000	Year ended 31 December 2013 Audited £'000
Basic earnings attributable to equity holders	**9,549**	9,064	19,391
Exceptional transaction costs	**—**	—	1,144
Development costs capitalised	**(3,546)**	(2,698)	(6,098)
Amortisation of development costs and acquired intangible assets	**5,274**	2,155	6,074
Tax and non-controlling interest effect of above items	**(373)**	122	(287)
Adjusted earnings attributable to equity holders	**10,904**	8,643	20,224

Weighted average number of ordinary shares	Number '000	Number '000	Number '000
Total shares in issue	**63,311**	58,550	59,946
Shares held by Employee Benefit Trust	**(435)**	(520)	(506)
For basic EPS calculations	**62,876**	58,030	59,440
Effect of potentially dilutive share options	**68**	135	114
For diluted EPS calculations	**62,944**	58,165	59,554

Earnings per share	Pence	Pence	Pence
Basic	**15.2**	15.6	32.6
Adjusted	**17.3**	14.9	34.0
Basic diluted	**15.2**	15.6	32.6
Adjusted diluted	**17.3**	14.9	34.0

Notes to the half year financial statements continued

12. Dividends

In relation to the 2013 financial year, an interim dividend of 8.0p was paid on 31 October 2013 amounting to £5,026,000 followed by a final dividend of 8.0p on 2 May 2014 amounting to £5,030,000.

For 2014, the Directors are proposing an interim dividend of 9.2p, which will be payable on 31 October 2014 to shareholders on the register at 26 September 2014. This interim dividend, which will amount to approximately £5,762,000, has not been recognised as a liability in these half year financial statements.

13. Business combinations after the reporting period

On 17 July 2014 the Group acquired 100% of the share capital of Indigo 4 Systems Limited, a leading supplier of clinical and administrative messaging and order communications solutions to healthcare organisations. The acquisition delivers a complete set of platform-neutral communication and data translation tools, which extend EMIS Group's existing proprietary capabilities in the requesting, messaging, translation and delivery of electronic, clinical and administrative data across primary and secondary care.

The provisional fair values of the net assets acquired, consideration paid and goodwill arising on the transaction are shown in the table below. The provisional goodwill relates principally to the experienced staff within the business.

	£'000
Goodwill and other intangible assets	5,707
Property, plant and equipment	54
Trade and other receivables	426
Cash and cash equivalents	2,819
Trade and other payables	(288)
Deferred income	(2,170)
Total net assets	**6,548**
Consideration:	
Cash consideration	6,048
Contingent consideration	500
Total consideration	**6,548**
Cash and cash equivalent balances acquired	(2,819)
Net cash cost of acquisition	**3,729**

Corporate information

Directors

Executive
C M K Spencer – Chief Executive Officer
P J Southby – Chief Financial Officer

Non-executive
M K O'Leary – Chairman
R F Taylor – Non-executive Director
A J McKeon – Non-executive Director
S D Riddell – Non-executive Director
K J Boyd – Non-executive Director (from 9 May 2014)

Company Secretary

C L Farbridge

Company number

06553923 (England and Wales)

Registered office

Rawdon House
Green Lane
Yeadon
Leeds LS19 7BY

Auditor

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Nominated adviser and broker

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham BR3 4TU

Financial PR

MHP Communications
60 Great Portland Street
London W1W 7RT

Legal advisers to the Company

DWF LLP
Bridgewater Place
Water Lane
Leeds LS11 5DY

Pinsent Masons LLP
1 Park Row
Leeds LS1 5AB

Shareholder information

Internet

The Group operates a website which can be found at www.emis-online.com. This site is regularly updated to provide information about the Group. In particular, the share price and all of the Group's press releases and announcements can be found on the site.

The latest information on the share price is available at **www.emis-online.com/investors**.

emis group plc

Registered office
Rawdon House
Green Lane
Yeadon
Leeds LS19 7BY

Tel: 0113 380 3000
www.emis-online.com